

# HOUSE BUDGET COMMITTEE

## Democratic Caucus

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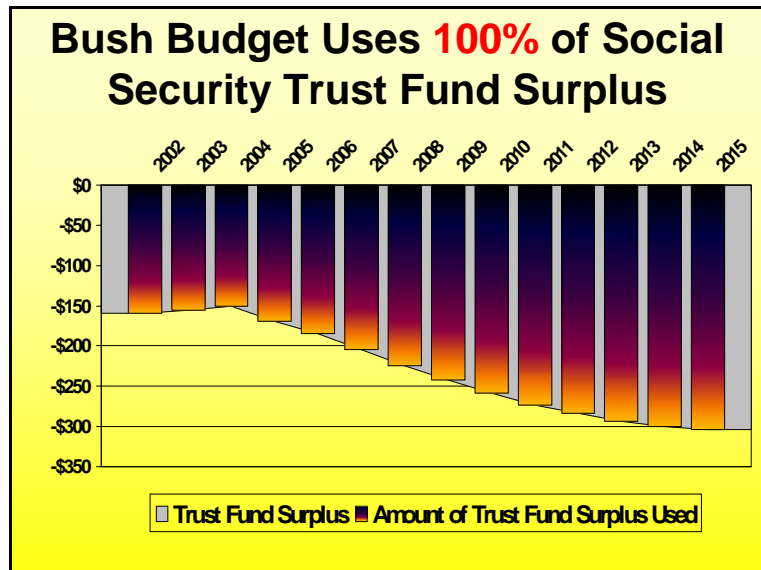
### Bush's Broken Promises to Save Social Security Surplus for Social Security

**When President Bush took office, he vowed to save all of the Social Security Trust Fund surplus.**

He promised to use it to pay down the nation's debt so that more resources would be available to pay Social Security benefits when the baby boomers retire. On March 22, 2001, President Bush stated: "the budget I set up says the payroll taxes are only going to be spent on one thing, and that's Social Security . . . [A] lockbox I think is the terminology they like to use up here. Rest assured, it's set aside only for Social Security." The first Bush budget pledged that "none of the Social Security surpluses will be used to fund other spending initiatives or tax relief."

**But the President has failed to keep that promise in every budget he has submitted.**

Over the 2002-2004 period, every penny of the \$466 billion in Social Security Trust Fund surpluses was spent to offset the deficit. This year alone, another \$169 billion will be spent. And over the next ten years (2006-2015) the Administration's new budget would cause 100 percent of the Social Security surpluses, totaling \$2.6 trillion, to be spent to pay for deficit spending.



**The President's tax cuts are a major reason the surplus has been spent.** The Administration's tax cut agenda has resulted in large and growing deficits, rather than the budget surpluses that were projected. Over the period from 2001-2015, the cost of the Bush tax cuts totals \$5.1 trillion, including the additional debt service. By contrast, the Social Security Trust Fund surplus over that period will be \$3.4 trillion. The tax cuts, which are disproportionately skewed toward those who need them least, have been a higher priority for this Administration than saving the Social Security surplus. As a result,

rather than saving Social Security surpluses to pay off the public debt and prepare for the future, we have been adding billions every year to the new debt burdens that our children will face.

Instead of promoting irresponsible privatization that would greatly magnify the Social Security funding issue, the Bush Administration and its congressional allies should take a major first step and stop using the Social Security Trust Fund surplus to pay for their historic deficits.

Attached are a chart and some background material, which provide more detail about the President's broken promise to save the Social Security surplus for Social Security.

## Background on Deficits and the Social Security Surplus

***Progress During the Clinton Years*** — During the Clinton years, the then-record deficits of the early 1990s were converted to budget surpluses, eventually achieving a budget in surplus without using any of the Social Security surplus. The Clinton budget surpluses allowed for the debt held by the public to be paid down, by more than \$362 billion from fiscal year 1997 to fiscal year 2000, thus helping to prepare for the retirement of the baby boom generation.

***Bush Administration Promised Not to Spend Social Security Surplus*** — President Bush took office with an advantage no president in recent times has enjoyed, a budget in surplus without counting the Social Security surplus. His first budget documents, submitted in 2001 for fiscal year 2002, stated that the “Social Security surplus must be preserved only for Social Security” and that “none of the Social Security surpluses will be used to fund other spending initiatives or tax relief.” On March 22, 2001, President Bush stated: “the budget I set up says the payroll taxes are only going to be spent on one thing, and that’s Social Security . . . [A] lockbox I think is the terminology they like to use up here. Rest assured, it’s set aside only for Social Security.” Later that year, OMB’s *Mid-Session Review* stated that the Bush Administration believed that the budget should run “a surplus at least the size of the Social Security surplus” as a “threshold condition of public finance” and that the Administration projected “continued large surpluses above the size of the Social Security surplus for all years in the budget horizon.”

***Bush Administration Has Broken Promise Not to Use Social Security Surplus*** — In fact, the Administration has used the Social Security surplus to help pay for tax cuts and finance deficits. Three fiscal years have been started and completed on President Bush’s watch: FY2002, FY2003, and FY2004. For each of those three years, every penny of the Social Security Trust Fund surplus has been spent — \$466 billion in all. For FY2005, the budget will again use all of the Social Security surplus to finance deficits — another \$169 billion, for a four-year total of \$635 billion. *The President’s new budget continues the same practice for the next ten years — spending a total of \$2.6 trillion from the Social Security trust fund surplus over 2006-2015.*

***How Much of the Surplus Is Being Spent Per Day?*** — The Social Security surplus for fiscal year 2005 is projected to be \$169 billion. Because the unified budget is in deficit, all of the Social Security surplus will be used to help finance the deficits. This means that nearly half a billion dollars (\$463 million) of the Social Security surplus is being used *each day* to finance this Administration’s deficits.

***Bush Administration Has Abandoned Fiscal Discipline*** — The progress of the 1990s was due in part to the fiscally responsible Pay-As-You-Go (PAYGO) rules which, along with discretionary spending caps, helped bring the budget back to balance. Republicans allowed PAYGO budget discipline to expire in 2002, and the Administration and Congressional Republicans now advocate applying PAYGO rules only to mandatory spending, and not to tax cuts. This proposal would leave a huge gap in the budget enforcement system, allowing the Administration’s proposed tax cuts to drive the deficit \$1.6 trillion higher over the next ten years. Democrats support the balanced and effective PAYGO system used in the 1990s — which applies to both mandatory spending proposals and revenue legislation.

# Bush Budget Uses **100%** of Social Security Trust Fund Surplus

